



Auditor of Public Accounts
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Edelen Releases Audit of Graves County Sheriff's Tax Settlement

FRANKFORT, Ky. – State Auditor Adam Edelen today released the audit of the sheriff's settlement - 2010 taxes for Graves County Sheriff Dewayne Redmon. State law requires the auditor to annually audit the accounts of each county sheriff. In compliance with this law, the auditor issues two sheriff's reports each year: one reporting on the audit of the sheriff's tax account and the other reporting on the audit of the fee account used to operate the office.

The audit found that the sheriff's financial statement fairly presents the taxes charged, credited and paid, for the period January 1, 2011 through April 15, 2011, in conformity with the modified cash basis of accounting.

As part of the audit process, the auditor must comment on non-compliance with laws, regulations, contracts and grants. The auditor must also comment on material weaknesses involving the internal control over financial operations and reporting.

The audit contains the following comments:

- **The sheriff should enter into a written security agreement and require the depository institution to pledge or provide sufficient collateral to protect public funds.** On February 28, 2011 and April 15, 2011, \$270,579 and 97,950 respectively of the Sheriff's deposits of public funds were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), financial institutions maintaining deposits of public funds are required to pledge securities or provide surety bonds as collateral to secure these deposits if the amounts on deposit exceed the \$250,000 amount of insurance coverage provided by the Federal Deposit Insurance Corporation (FDIC). We recommend the sheriff enter into a written agreement with the depository institution to secure the sheriff's interest in the collateral pledged or provided by the depository institution. According to federal law, 12 U.S.C.A. § 1823(e), this agreement, in order to be recognized as valid by the FDIC, should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The sheriff should also require the

depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

Sheriff Dewayne Redmon's response: "Have entered into agreement."

- **The Graves County sheriff should prepare an annual franchise tax settlement as required by KRS 134.192.** The Graves County sheriff did not prepare an annual franchise tax settlement. KRS 134.192 requires the sheriff to file a final settlement of all monies collected by his office; this would include any franchise taxes collected. The settlement should include total amount to be collected, discounts given, penalties paid, commissions earned and taxes paid for each taxing district. We recommend that the sheriff prepare an annual franchise tax settlement by September 1 and have it approved by the fiscal court as required by KRS 134.192.

Sheriff Dewayne Redmon's response: "Will start doing."

The Graves County Sheriff's Office lacks adequate segregation of duties over franchise tax collections. During the review of the internal control structure, the following deficiencies were noted in the control environment over franchise tax receipts and disbursements:

- The Sheriff's bookkeeper collects money, prepares deposits, and reconciles to monthly collection reports.
- The Sheriff's bookkeeper prepares monthly bank reconciliations.

The Sheriff did not implement any compensating controls to offset these control deficiencies. The Sheriff should segregate duties over franchise tax receipts and disbursements or should implement the following compensating controls to limit the severity of these internal control weaknesses:

- The Sheriff or his designee should periodically prepare the franchise tax deposits and compare it to the collection reports prepared by the bookkeeper for the franchise taxes. Any differences should be reconciled. This review should be documented by signing the bank deposit and collection reports.
- The Sheriff or his designee should review the monthly franchise tax reports and compare monthly reports to checks written. The Sheriff or his designee should also review supporting documentation for any other checks written from the tax account such as overpayments and refunds.
- The Sheriff or his designee should prepare the monthly bank reconciliations. Any differences should be reconciled. This should be documented by signing the bank reconciliation and checkbook.

Sheriff Dewayne Redmon's Response: "Will attempt."

The sheriff's responsibilities include collecting property taxes, providing law enforcement and performing services for the county fiscal court and courts of justice. The sheriff's office is funded through statutory commissions and fees collected in conjunction with these duties.

This report, in its entirety, can be accessed at the following Internet site: [here](#).

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